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REPLACEMENT TAXES

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WHAT ARE THE REPLACEMENT TAXES?

The replacement taxes are revenues collected by the State of Illinois and paid to local governments to replace money lost by the more than 6,800 units of local government when their powers to impose the corporate personal property tax were taken away.

WHY DO WE HAVE REPLACEMENT TAXES?

The new Illinois Constitution directed the legislature to abolish corporate personal property taxes and replace the revenue lost by units of local government and school districts. Thus, in 1979 a law was enacted to provide for statewide taxes to replace the monies lost to local governments.

WHO PAYS THE TAXES?

The taxes are paid by corporations, partnerships, trusts, Sub-chapter S corporations and public utilities. The tax rates are as follows:

2.5% income tax on corporations

1.5% income tax on partnerships, trusts, Sub-chapter S corporations

.8% tax on invested capital of public utilities.

WHEN ARE THESE TAXES TO BE PAID?

Corporate income taxpayers submit their replacement taxes along with their regular state income tax payments (with estimated payments made quarterly and a final return due two and a half months after the close of their taxable year); partnerships, trusts and Sub-chapter S corporations pay the income tax on an annual basis, with no estimated payments required. Utilities pay the invested capital tax at the beginning of the third, sixth and ninth months of the taxable period, with the final return due a month and a half after

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the close of their taxable year.

HOW IS THE MONEY DISTRIBUTED?

The money is first split into two pots, with 51.65 percent of the total going to Cook County and the remaining 48.35 percent to downstate counties. The Cook County share of the collections is then distributed to taxing districts within the county on the basis of each district's share of the total personal property tax collections for the 1976 tax year. (For example: If the total of taxes collected by all districts was \$1 million and District A collected \$3,500 of that total, District A's share of any future distributions would be .35 percent.) For downstate districts, the pot is shared similarly, except that it is the collections from the 1977 tax year that are used to calculate each district's share of the distributions to be made. This percentage is called the district's "allocation factor".

CAN A DISTRICT'S "ALLOCATION FACTOR" CHANGE?

Yes. Local taxing districts can continue to collect unpaid personal property taxes owed for the base year (1976 tax year for Cook County; 1977 for downstate counties) and increase their share of the distribution. On the other hand, an "allocation factor" could decrease due to tax refunds made for the base year. The allocation factor could be adjusted for each payment if there are significant shifts in collections for the base year for that district or other districts sharing the same pot.

HOW OFTEN IS THE MONEY DISTRIBUTED TO LOCAL DISTRICTS?

The original schedule of quarterly payments was amended by the legislature effective with the 1981 payments to provide for eight payments to be made in January, March, April, May, July, August, October and December.

DOES THIS MEAN A LOCAL GOVERN-MENT RECEIVES EIGHT EQUAL PAY-MENTS?

No. The total to be distributed will vary from payment to payment depending upon the amount of taxes that has been collected by the Department of Revenue since the last payment made to the districts.

WHO QUALIFIES TO RECEIVE THESE PAY-MENTS?

Only districts which collected personal property taxes for the 1977 and 1978 tax years (1976 and 1978 for Cook County) are eligible to receive a share of the money. Districts created after 1978 do not receive replacement tax money, as they experienced no loss in revenue.

ARE PAYMENTS MADE DIRECTLY TO THE UNIT OF GOVERNMENT?

Yes. State warrants are made payable to the treasurer or fiscal officer of each local taxing district. Under the former personal property tax, the money was distributed to local units by the county treasurer.

ARE THERE RESTRICTIONS ON HOW THIS REPLACEMENT TAX MONEY CAN BE USED?

If part of the former personal property tax money was used to pay off "debt service", a comparable proportion of the replacement tax money received must go toward this purpose. The same holds true for pension or retirement obligations previously supported by personal property taxes. After these two obligations have been satisfied, the remaining money can be used for the same purposes as the money raised by the district through real estate taxes.

WHAT IS THE "ENTITLEMENT PROVISION" IN THE LAW?

The law provided that during 1980 and 1981, a district was entitled to receive no less than it had collected in personal property taxes for the 1978 tax year. In 1982, it will be entitled to receive no less than 60 percent of these 1978 personal property tax collections. However, if there wasn't enough money in the pot to assure that all districts would receive this entitlement amount, then the share to each taxing district would be reduced proportionately.

HOW MUCH DO THE REPLACEMENT TAX-ES RAISE IN COMPARISON TO THE FOR-MER CORPORATE PERSONAL PROPERTY TAX?

Local governments received approximately \$531 million in replacement taxes during 1981. This compares to an estimated \$491 million they would have received under the old corporate personal property tax if it was still in effect.

FOR ADDITIONAL INFORMATION ON THE ALLOCATION OF REPLACEMENT TAX REVENUES CONTACT:

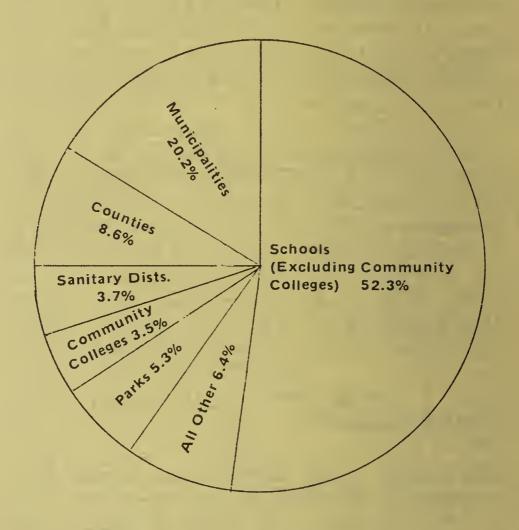
Illinois Department of Revenue Property Tax Administration Bureau Replacement Tax Certification Division 303 East Monroe Street P.O. Box 4058 Springfield, IL 62708 Phone (217) 782-6956





ALLOCATION OF REPLACEMENT TAX DOLLARS

Revenue generated by the Replacement Tax is allocated to approximately 6,800 local units of government, in 22 categories. The major recipients are identified below:



BASED UPON MONIES ALLOCATED DURING CALENDAR YEAR 1981

FOR INFORMATION ON THE ADMINISTRATION AND COLLECTION OF THE REPLACEMENT TAX CONTACT:

Illinois Department of Revenue Replacement Income Tax P.O. Box 4053 Springfield, IL 62708 Phone (217) 782-3336 Toll-free (800) 252-8972

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